

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

STEUBEN COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/14/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kim Koomler Meyers	01-01-15 to 12-31-18
County Treasurer	Laurie Stoy Melissa Bixler	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Michele Herbert	01-01-15 to 12-31-18
County Sheriff	Tim T. Troyer	01-01-15 to 12-31-18
County Recorder	Linda Myers	01-01-15 to 12-31-18
President of the Board of County Commissioners	Ronald L. Smith	01-01-16 to 12-31-17
President of the County Council	Richard Shipe	01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of Steuben County (County), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 30, 2017

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COUNTY AUDITOR
STEUBEN COUNTY

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of finding number 2015-001 from the immediate prior report.

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context

The lack of controls was a systemic problem, occurring throughout the audit period. As a result, the SEFA presented for audit contained the following errors:

1. The Special Supplemental Nutrition Program for Women, Infants, and Children was understated by \$2,306.
2. The Equitable Sharing Program was understated by \$77,873.
3. The Airport Improvement Program was overstated by \$12,389.
4. The Highway Planning and Construction Cluster was understated by \$185,821.
5. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements were understated by \$17,644.
6. The Child Support Enforcement program was understated by \$74,747.
7. The Boating Safety Financial Assistance program was overstated by \$9,625.
8. Some grants contained incorrect federal program names or did not identify clusters.
9. The award numbers were not always included.
10. The amounts remitted to subrecipients were not included.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, to ensure accurate reporting of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Financial Transaction and Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This was not a repeat finding from the immediate prior report.

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting related to payroll.

Context

The lack of controls was a systemic problem, occurring throughout the audit period.

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to payroll processing. The County payroll processing was handled primarily by one employee in the County Auditor's office. The individual input the hours worked information from the County Department's payroll vouchers into the computerized payroll system, added and deleted employees, made corrections as needed, printed and distributed checks or direct deposits, and issued the payments for employee withholdings, employee benefits, and related payroll expenses with minimal oversight. Control activities were not in place to reduce the risk of errors in financial reporting.

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

2. Monitoring of Controls: The County had no process to identify or communicate corrective actions to improve controls. The County did not monitor and assess the quality of the system of internal control.

There were the following deficiencies in reporting of payroll transactions:

1. The Payroll Schedule and Voucher Form 99 were prepared by the County departments. They did not report the employee's time worked (days or hours) and paid time off (e.g., vacation or sick); rather, they showed all time worked as "regular time worked." Some County departments did not include their time sheets with their Form 99.
2. The Payroll Schedule and Vouchers (General Form 99) were not run through the established claims payment process and, therefore, were not approved by the Board of County Commissioners.
3. The County departments had the responsibility to record the hours or days worked, sick leave, vacation leave, and days lost on the Employee's Service Records (General Form 99A). A complete set of the Employee's Service Records for all County departments was not available for audit upon request.
4. The detail of regular time worked and paid leave time was not posted to the County's payroll system by the Payroll Clerk. All time entered into the County's payroll system was entered as regular time worked. This made it impossible to have a reconciliation between the County's payroll system and the Employee's Service Records maintained by the departments. Sufficient audit evidence was not available to document the review of payroll time-keeping and recording by anyone other than the departmental supervisors.
5. The Gross Payroll Reports, including Distributions Reports, were not reviewed by the County Auditor prior to the payroll checks being processed and paid.
6. The payments of payroll taxes and other benefits through the Payroll Clearing Fund were not run through the established claims payment process and, therefore, were not approved by the Board of County Commissioners.
7. The W-2 Report was not being reconciled to the quarterly 941s and the Payroll Earnings Record Report by the Payroll Clerk to ensure accurate reporting.
8. The W-2 Report was not reviewed by the County Auditor prior to submission and mailing of the W-2s.
9. At December 31, 2016, the Payroll Clearing Fund had a cash balance (cash control) of \$11,588, whereas the subsidiary accounts of the Payroll Clearing fund had a cash balance of (\$6,104). The difference between the Payroll Clearing fund cash balance (cash control) and the subsidiary accounts at December 31, 2016, is \$17,692 and should be \$0. Numerous subsidiary accounts in this fund had unidentified balances that have been carried forward from several years back and a process was not in place to review the activity in this fund or to reconcile the cash control to the subsidiary accounts.

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Cause

Management of the County had not established a proper system of internal control.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

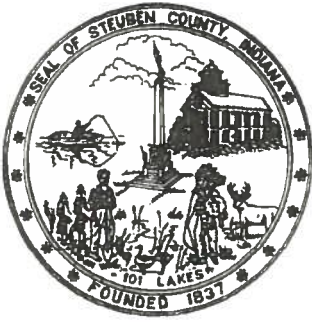
COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish controls, including segregation of duties, to ensure the accuracy of financial transactions and reporting related to payroll.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Kim Meyers
Steuben County Auditor

317 S. Wayne St., Suite 2J
Angola, Indiana 46703
Phone (260) 668-1000, ext. 1218 Fax (260) 665-8483

FINDING 2016-001 - Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Contact Person Responsible for Corrective Action: Kim Meyers, Steuben County Auditor
Contact Phone Number: (260)668-1000 ext. 1218

Description of Corrective Action Plan:

The Auditor and Chief Deputy Auditor will take the steps necessary to review financial data and implement more adequate and comprehensive internal control procedure over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) prior to input into the Gateway system. Additionally, a secondary review will be performed to ensure the data is accurate.

Anticipated Completion Date: December 31, 2017

FINDING 2016-002 - Internal Controls Over Payroll Transactions

Description of Corrective Action Plan:

The Auditor will take the necessary steps to ensure a segregation of duties within the payroll department. The Auditor will personally audit bi-weekly payroll claims and reconcile to payroll reports prior to distribution to the employees. The Auditor will ensure the payroll clerk is reconciling the W-2 reports to the quarterly 941's and the payroll earnings record report. The Payroll clerk will submit all W-2 reports to the county auditor for review prior to submission and distribution. The Auditor and Chief Deputy Auditor will work with State Board of Accounts to identify and reconcile all Payroll Clearing Fund balances that have been carried forward from SEVERAL years back and implement a process to review the activity in the clearing fund and reconcile the cash control to the subsidiary accounts on a regular monthly schedule. In addition, the newly created Human Resource position will fulfill the requirements for segregation of duties within the payroll and benefits department.

Contact Person Responsible for Corrective Action: Kim Meyers, Steuben County Auditor
Contact Phone Number: (260)668-1000 ext. 1218

Anticipated Completion Date: Have begun implementation and anticipate December 31, 2017 completion date.

Kim Meyers
(Signature)

Auditor
(Title)

10/25/2017
(Date)

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated the following funds were expended without appropriation by the County Council for the year 2016:

Fund	Excess Amount Expended
WIC Peer Counselor	\$ 16,174
WIC Peer Counselor (alt)	4,034
16.575 Pros Victim Assistance	25,766
16.588 Stop Violence Agnst Wmn	19,445
20.219 Rec Trails Bike Trail	24,565
20.509 Transit Star 1802564P	287,939
20.600 DUI Task Force	4,999
93.069 Public Health Prepare	10,267
97.042 Homeland Sec FEMA	5,087
20.106 FAA Part ALP UPDT 31800	9,546
20.106 FAA Environ Assessment	51,278
20.106 FAA PAPI	14,400
WIC Fiscal Yrs (Odd#s)	39,486
20.106 FAA AIP 15/ROW Crack PE	23,421
WIC SCCF Grant	226
LARE Grant / Boat Patrol	20,166
TANF Grant NICC FY 2017	265,433
TANF Grant NICC	159,963
Mental Health Gt 2015 FD 010	24,440
Juv Comm Colab Prog CFDA 16.523	13,754

A similar comment appeared in prior Report B47139.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COUNTY AUDITOR
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2017, with Kim Koomler Meyers, County Auditor; Lori Hickey, Deputy County Auditor; Ronald L. Smith, President of the Board of County Commissioners; Lynne Liechty, County Commissioner; Richard Shipe, President of the County Council; Jim Getz; County Councilman; Kenneth L. Shelton, County Councilman; and Wil Howard, County Councilman.

COUNTY SHERIFF
STEUBEN COUNTY

COUNTY SHERIFF
STEUBEN COUNTY
FEDERAL FINDING

FINDING 2016-003

Subject: Internal Control over Financial Transactions and Reporting - County Sheriff
Audit Finding: Material Weakness

Repeat Finding

This was not a repeat finding from the immediate prior report.

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting of the County Sheriff. The County Sheriff had not separated incompatible activities related to reconciling and disbursing for some areas. One employee in the County Sheriff's office performed the monthly bank reconciliations for three bank accounts and issued checks. There was no segregation of duties, such as an oversight, review, or approval process, over the bank reconciliations and disbursement transactions.

Context

The lack of internal controls was a systemic problem, occurring throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

COUNTY SHERIFF
STEUBEN COUNTY
FEDERAL FINDING
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

The County Sheriff had not established a proper system of internal control that would have segregated key functions.

Effect

The failure to establish and properly implement controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County Sheriff establish effective controls, including segregation of duties, to ensure that monthly reconciliations are performed and reviewed and to ensure the accuracy of disbursement transactions reported in the financial statement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Steuben County Sheriff's Office
206 E. Gale St. • Angola, Indiana 46703
Tim R. Troyer, Sheriff
Rodney L. Robinson, Chief Deputy

Phone: 260.668.1000
Business Office: Ext. 5000
Fax: 260.665.9476

October 26, 2017

CORRECTIVE ACTION PLAN

Finding 2016 – 003

Contact Person Responsible for Corrective Action: Julie Troyer
Contact Phone Number: 260-668-4530

Description of Plan:

Italicized items denote new controls being implemented.

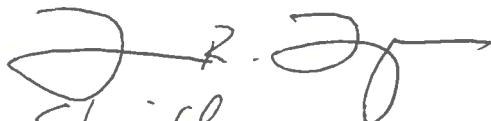
1. Sheriff's Meal Account: Kitchen staff will order inventory, obtain packing slips/invoices for *all food deliveries, and verify by signature that goods were received. Office Manager will deposit county reimbursement check in bank and post to account. Jail Lieutenant will disburse payment checks and reconcile bank statement. Office Manager will review and sign monthly.*

2. Inmate Trust Account: Administrative Assistant #1 will perform daily deposit, verified by computer-generated transaction report, and post to account. *Office Manager will review transactions on 1st and 15th of each month; verify with signature.* Confinement staff write disbursement checks to inmates. *Admin Assistant #2 will write disbursement checks to Commissary Account, verified by Sales Report generated by the Office Manager. Admin Assistant #1 will reconcile bank statement. Office Manager will review and sign monthly.*

3. Commissary Account: Kitchen staff will order sales inventory, obtain packing slips/invoices and verify goods were received. Kitchen staff will enter inmate orders, deducting funds from inmate accounts. Office Manager will generate Sales Reports reflecting inmate orders; *Admin Assistant #2 will write disbursement checks from Inmate Trust Account to Commissary Account, and prepare deposits. Office Manager will post to account. Sheriff will verify receipt of all purchases, other than resale items. Office Manager will disburse payments and reconcile bank statement. Admin Assistant #1 will review and sign monthly.*

Anticipated Completion Date: December 31, 2017

Note: We are obtaining a new banking software system that will impact the Inmate Trust and Commissary accounts in January 2018.


Sheriff,

COUNTY SHERIFF
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS

The County Sheriff's Department used Quicken Software to account for the Sheriff's Jail Commissary, Sheriff's Meal Account Inmate, and Sheriff's Inmate Trust funds. This accounting software's design allowed changes to a transaction file to occur without showing evidence of the transaction changes. A good design would not allow changes to a transaction file to occur unless done through an application that tracks the changes. In addition, reports provided were not the ledgers prescribed by the Indiana State Board of Accounts.

The same comment appeared in prior Report B47139.

All transactions that occur in the system must be recorded. Transactions can be maintained on-line, on back-up tapes, microfilmed, or printed on hard copy. These transactions include, but are not limited to, all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in anyway. The system must be designed so that changes to a transaction file cannot occur without being processed through an application. (The County Bulletin and Uniform Compliance Guidelines, April 2016)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

JAIL MEAL ALLOWANCE

The Sheriff's Meal Account Inmate fund is maintained by the County Sheriff's Department. The fund is used to account for meals served to inmates. The County Sheriff is only allowed to hold funds outside the Office of the County Auditor that are authorized by statute. There are only three funds authorized by statute: Sheriff's Cash Book, Sheriff's Inmate Trust, and Sheriff's Jail Commissary funds.

A similar comment appeared in prior Report B47139.

COUNTY SHERIFF
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-8-10-7 states in part:

"(a) . . . The allowance shall be paid out of the general fund of the county after the sheriff submits to the county executive an itemized statement . . .

(b) . . . A county shall feed the county prisoners through an appropriation in the usual manner by the county fiscal body. The appropriation shall be expended by the sheriff under the direction of the county executive. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and the Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

SUPPORTING DOCUMENTATION

Disbursements from the Sheriff's Jail Commissary and Sheriff's Meal Account Inmate accounts did not have adequate documentation to show that anyone verified goods and services were received as ordered. Also, some disbursements were only supported by an account statement, rather than itemized invoices showing the details of the purchases.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2017, with Tim T. Troyer, County Sheriff, and Julie Troyer, County Sheriff Office Manager.

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NORTHEAST INDIANA COMMUNITY CORRECTIONS
STEUBEN COUNTY

NORTHEAST INDIANA COMMUNITY CORRECTIONS
STEUBEN COUNTY
FEDERAL FINDINGS

FINDING 2016-004

Subject: Temporary Assistance for Needy Families - Internal Controls
Federal Agency: Department of Health and Human Resources
Federal Program: Temporary Assistance for Needy Families
CFDA Number: 93.558
Federal Award Number and Year (or Other Identifying Number): EDS D12-16-106-TANF
Pass-Through Entity: Indiana Department of Corrections
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, Period of Performance, Reporting
Audit Finding: Material Weakness

Repeat Finding

This was not a repeat finding from the immediate prior report.

Condition

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting.

Activities Allowed or Unallowed

There was no review of the reimbursement requests prior to submission for reimbursement. Without proper review, unallowable activities on the claim reimbursement request could have occurred and gone undetected.

Allowable Costs/Cost Principles

There was no review of the reimbursement requests prior to submission for reimbursement. Without proper review, unallowable costs on the claim reimbursement request could have occurred and gone undetected.

Cash Management

There was no review of the reimbursement requests prior to submission for reimbursement. Without proper review, expenditures that were not paid prior to the claim reimbursement request could have occurred and gone undetected.

Period of Performance

There was no review of the reimbursement requests prior to submission for reimbursement. Without proper review, expenditures that did not occur within the period of performance could have occurred gone undetected.

Reporting

There was no review of the reimbursement requests prior to submission for reimbursement. Without proper review, errors on the claim reimbursement request could have occurred and gone undetected.

NORTHEAST INDIANA COMMUNITY CORRECTIONS
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Context

Internal control issues were systemic, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not established a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

NORTHEAST INDIANA COMMUNITY CORRECTIONS
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2016-005

Subject: Temporary Assistance for Needy Families - Eligibility
Federal Agency: Department of Health and Human Resources
Federal Program: Temporary Assistance for Needy Families
CFDA Number: 93.558
Federal Award Number and Year (or Other Identifying Number): EDS D12-16-106-TANF
Pass-Through Entity: Indiana Department of Corrections
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Qualified Opinion - Scope Limitation

Repeat Finding

This was not a repeat finding from the immediate prior report.

Condition

An effective internal control system was not in place at the County in order to ensure that sufficient audit evidence was retained to demonstrate compliance with the Eligibility compliance requirement. The County had not established an effective control over the eligibility determination for TANF participants. TANF participants were determined for eligibility by the service provider, rather than the County. There was no audit evidence at the County to test if participants were eligible.

Context

Internal control issues were systemic, occurring throughout the audit period. The lack of audit evidence prevented the ability to determine compliance with the Eligibility compliance requirement.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

NORTHEAST INDIANA COMMUNITY CORRECTIONS
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The County had not established an effective system of internal controls that would have ensured that documentation was maintained to support eligibility determinations.

Effect

The failure to establish an effective internal control system that would have ensured that supporting documentation was retained and available for audit prevented the determination of the County's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

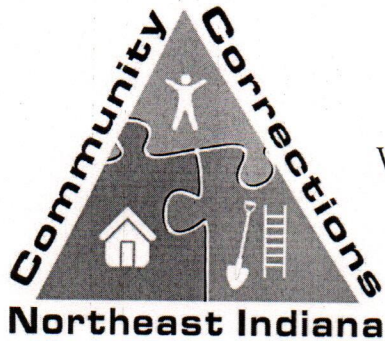
Recommendation

We recommended that the County's management establish controls to ensure that supporting documentation was maintained and made available for audit relating to the Eligibility compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Northeast Indiana Community Corrections



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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Brett Hays

Contact Phone Number: 260-668-1000 x5363

We concur with the finding.

Description of Corrective Action Plan:

CAVA provides supporting documentation and submits to the Director of NICC. Director of NICC completes submission requests for the TANF grant to the state. Submission requests then approved by the Steuben County Commissioners.

Plan already in place and submission requests have retroactively been approved for EDS #D12-17-106-TANF. *Item corrected.*

Anticipated Completion Date: Item was corrected on 10-16-2017.

A handwritten signature in blue ink, appearing to be "Brett Hays", is written over a horizontal line.

Brett Hays, Director of Northeast Indiana Community Corrections

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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Brett Hays
Contact Phone Number: 260-668-1000 x5363

We concur with the finding.

Description of Corrective Action Plan:

CAVA completes initial eligibility screening and submits all documentation to the Director of NICC. Director of NICC conducts independent eligibility determination and relays findings to CAVA. Services provided to non-eligible entities will not be reimbursed with TANF grant funds.

An MOU will be created outlining these activities and the payment of CAVA regarding the claims process. The MOU will be used for future TANF grant funding.

All entities funded with EDS #D12-16-106-TANF funds will have their eligibility confirmed by NICC. Any discrepancies will be reported to the state.

Anticipated Completion Date: All past entities will be reviewed prior to December 31, 2017

Brett Hays, Director of Northeast Indiana Community Corrections

NORTHEAST INDIANA COMMUNITY CORRECTIONS
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2017, with Brett Hays, Executive Director of Northeast Indiana Community Corrections.